

This record is a partial extract of the original cable. The full text of the original cable is not available.

211348Z Oct 05

UNCLAS PARIS 007223

SIPDIS

BRUSSELS PASS USEU FOR AGMINCOUNSELOR
STATE FOR OES; EUR/ERA;
STATE PASS USTR FOR MURPHY;
USDA/OS/JOHANNIS AND PENN;
USDA/FAS FOR OA/TERPSTRA/ROBERTS;
ITP/SHEIKH/HENKE/MACKE/TOM POMEROY/MIKE
WOOLSEY/GREG YOUNG;
FAA/SEBRANEK/BLEGGI;
EU POSTS PASS TO AGRICULTURE AND ECON
GENEVA FOR USTR (ALLGEIER, SHARK) AND AGRICULTURE

E.O. 12958: N/A

TAGS: [EAGR](#) [ETRD](#) [PGOV](#) [FR](#) [WTRO](#) [EUN](#) [INR](#)

SUBJECT: French press minimizes US offer

1. SUMMARY: The French daily paper Le Figaro dated October 19, 2005, published an article entitled : "America supports its farmers as never before" which asserts that despite last week's proposal to make deep cuts in domestic support, US agriculture would continue to be highly distortive. END SUMMARY.

2. "America supports its farmers as never before: While Washington is challenging the EU to cut its subsidies, the United States is going to beat its 2000 record.

3. US farmers are rubbing their hands. The USDA has just increased its estimates of the volume of 2005 crops : 2% more for corn and cotton, 4% more for soybean. In a few days, the estimates for support expenses will logically be increased, Three months ago, they amounted to 21.4 billion dollars, that is 60% more than last year. 2005 subsidies could beat their record of 2000, that is 22.9 billion dollars.

Subsidies threatening African countries

3. The most embarrassing is that the two thirds of these subsidies could be production subsidies which encourage farmers to produce more in order to earn more, but which also favor the drop in world prices. In order to limit this consequence on prices, the EU has already reformed its agriculture subsidy system by delinking it from production.

4. The US negotiator, Rob Portman, proposed a few days ago, to reduce by 60% the ceiling of US subsidies that are distorting world trade. The category of subsidies concerned is that of the "amber box" in the WTO jargon, those which most influence prices. But it seems that proposed cuts would be partly compensated for by the use of other type of supports, of the "blue box", with less pernicious effects because they limit production. Up to now, the United States was against this type of support to agricultural prices.

5. Ralph Ichter, chairman of Euroconsultants, a Washington agency specialized in agricultural trade, thinks that present American proposals will not prevent the US government from widely subsidizing its producers.

6. So Uncle Sam could spend, with the marketing loans, the subsidies that are most distorting world trade, 3.4 billion dollars per year to support its soybean producers, that is 20% of the value of their crops. Corn producers would receive 2.2 billion dollars, that is 12% of their crops.

7. "For the particular case of cotton, adds Ichter, authorized subsidies would reach 2.1 billion dollars, equivalent to 40% of US production ! This is huge and is especially threatening African countries, in direct competition with the few producers located in the south of the United States." Moreover, production subsidies not defined yet would be added to this system."

Stapleton